

# Research Brief

## DISCONNECTED WELFARE LEAVERS IN COLORADO

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*This issue brief provides an in-depth analysis of a sample of welfare recipients in Colorado who left welfare but were not working in 2008. This study is part of a five-year evaluation of Colorado's Temporary Assistance for Needy Families (TANF) program called Colorado Works that The Lewin Group and its partners, the University of Colorado's Health Sciences Center, the Johns Hopkins University's Institute for Policy Studies, and Capital Research Corporation, are conducting for the Colorado Department of Human Services.*

The Colorado Works caseload has fallen sharply since fiscal year (FY) 1996, the year federal welfare reform legislation was enacted that gave states considerable authority in setting welfare policy. Colorado and its county welfare departments responded by implementing a time limit on benefits, placing stricter requirements on client participation in work activities, and implementing harsher penalties for non-compliance, including full-family sanctions, after repeated occurrences of non-compliance.<sup>1</sup>

During the 10 years that followed the establishment of the TANF program, the number of families that received cash assistance in the U.S. fell 47 percent from a monthly average caseload of 3.2 million families in FY97 to 1.7 million in FY07. During this same period, the Colorado Works caseload fell by 63 percent.

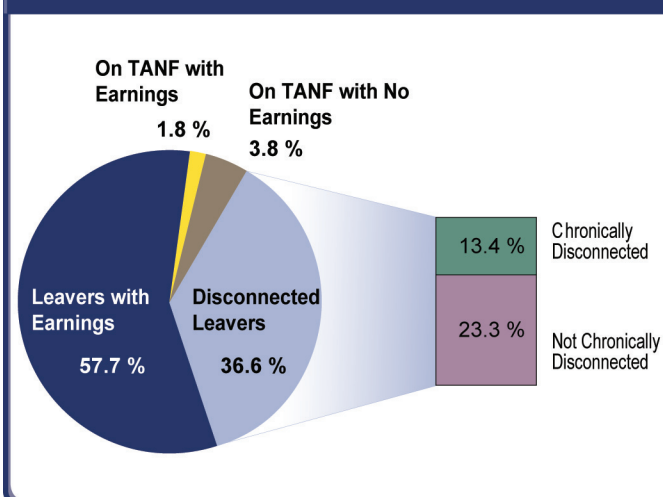
Similar to national trends, while employment gains among low-income families contributed to the decline, many families in Colorado are leaving Colorado Works without employment. There is also some evidence that, nationally, the share of low-income single mothers without work or welfare has been increasing over time, increasing from 11.7 percent in 1995 to 20 percent in 2005 (Blank and Kovak, 2008). Research has found that these "disconnected" adults are more likely to face

significant barriers to self-sufficiency, including having disabilities, being dependent on illegal drugs or alcohol, and having no car or drivers license (Turner, Danziger, and Seefeldt, 2006).

This brief examines the characteristics of the disconnected adults in Colorado and their families and explores how they are faring. The brief is based primarily on analysis of a survey that The Lewin Group conducted in 2008 of 494 single-parents who left Colorado Works in the first quarter of 2007.<sup>2</sup>

A substantial share of the leavers (37 percent) are single parents who can be categorized as disconnected; they were not receiving TANF benefits and were not working when surveyed. A more disadvantaged group, referred to in this brief as the "chronically disconnected," did not work within the last year, did not receive any TANF or SSI income, and did not have a spouse who had earnings. This group comprises 13 percent of the leavers (see Exhibit 1). The analysis of the survey is supplemented with analysis of Unemployment Insurance (UI) wage records.

Exhibit 1: Leavers by Employment & TANF Status



<sup>1</sup> In addition, at the county's option, counties can immediately close cases for demonstrable evidence when clients refuse to participate in work activities and the refusal is clear and deliberate.

<sup>2</sup> The survey was conducted between August and December of 2008, approximately 20 months after individuals left Colorado Works.

This issue brief examines the characteristics and outcomes of the disconnected adults and addresses the following questions:

1. Why did the disconnected adults leave TANF?
2. How do they differ from other TANF leavers?
3. What other sources of income do they have?
4. What is their employment history since leaving TANF?
5. How are disconnected adults and their children faring, overall?

## FINDINGS

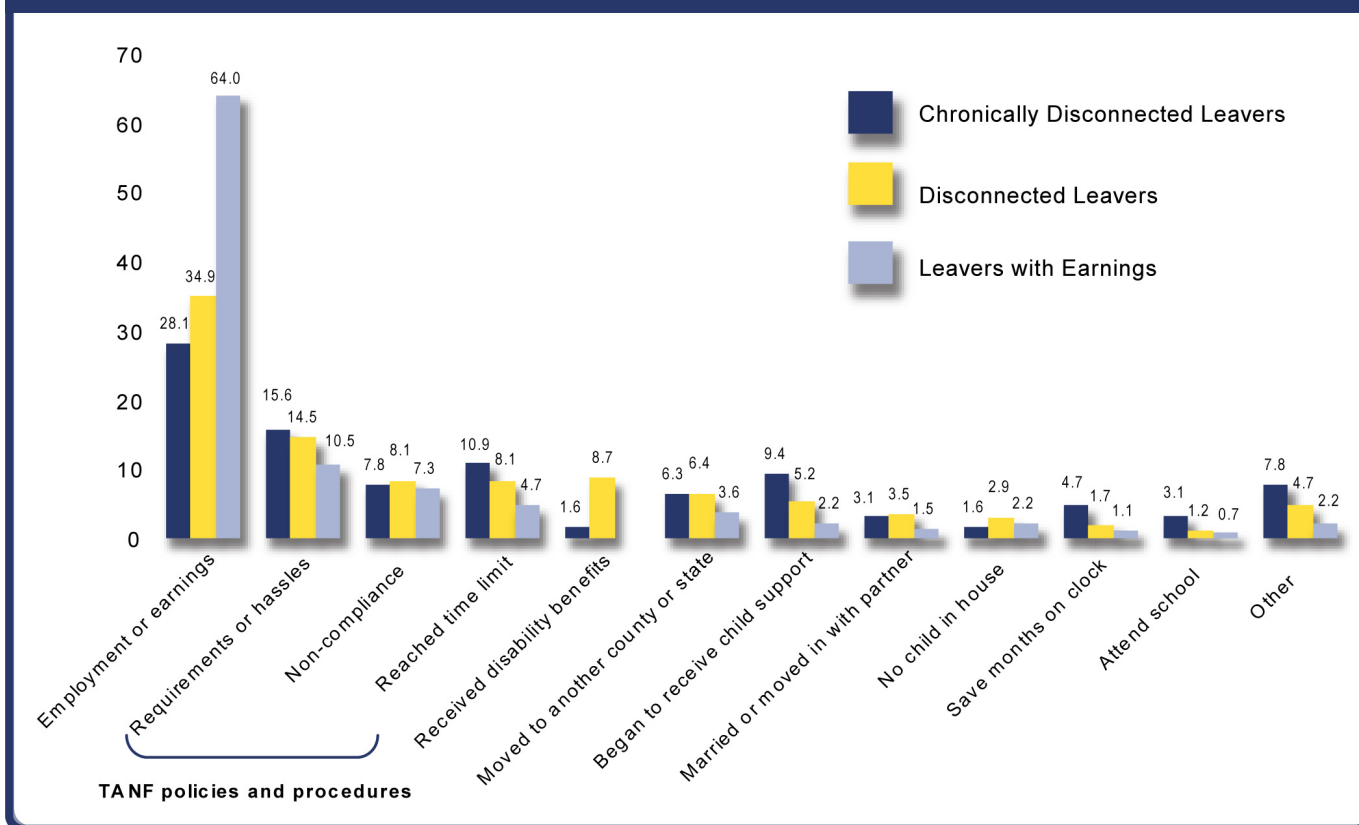
### *Why did the disconnected adults leave TANF?*

Exhibit 2 lists the main reasons the disconnected adults reported for leaving TANF and compares their reasons

to leavers who were working at the time of the survey. Not surprisingly, those who were working in 2008 were more likely to have left TANF in 2007 for employment or due to increased earnings that made them ineligible or reduced their need for TANF than were disconnected adults. Almost two-thirds of leavers with earnings, compared with one-third of leavers without earnings, left for employment reasons.

About one-third of all disconnected adults reported leaving because of some issue they faced with the TANF program. Some respondents reported they left to avoid the TANF work requirements; others said they could not stand the hassles associated with getting a TANF check, including the paperwork that needed to be completed; some were sanctioned or had a case closure due to non-compliance; and some reached the 60-month time limit. Over 10 percent of the *chronically disconnected* adults reported leaving because they reached the 60-month time limit.

**Exhibit 2: Reasons for Leaving TANF**



About 9 percent of disconnected adults left when they began receiving SSI.<sup>3</sup> More than 9 percent of the chronically disconnected reported they left when they began receiving child support.<sup>4</sup>

### *How do disconnected leavers differ from other TANF leavers?*

Disconnected leavers differ from leavers with earnings in several key ways. As Exhibit 3 shows, disconnected adults are slightly older, on average, are more likely to be Hispanic or non-white, are more likely to lack a high school education and are more likely to be married or

living with a partner. They are also more likely to have younger children than leavers with earnings. The household size is equivalent for all groups.

### *What other sources of income do they have?*

Exhibit 4 presents the average income by income source of the adults' household. As the table shows, the chronically disconnected adults have low household incomes, averaging just \$1,002 per month (\$736, excluding food stamps). Approximately 83 percent are living in poverty.<sup>5</sup>

**Exhibit 3: Characteristics of Colorado TANF Leavers**

	Chronically Disconnected Leavers	Disconnected Leavers	Leavers with Earnings
<b>Adult/ Head of Household</b>			
Age (%)			
18-24	22.7	21.5	21.1
25-34	45.5	44.8	52.3
35 or more	31.8	33.7	26.7
Female (%)			
	92.4	93.9	93.3
Race or Ethnicity (%) <sup>a</sup>			
Hispanic	40.9	40.3	36.3
Non-Hispanic:			
White	31.8	37.0	42.8
African American	24.2	19.3	17.2
American Indian	7.6	6.1	2.8
Asian and Other	7.6	5.0	2.8
Highest education level (%)			
No high school diploma/GED	33.8	32.8	21.1
High school diploma/GED	58.5	56.1	56.8
Other credential/post-secondary degree	7.7	11.1	21.8
Married or living with partner (%)			
	22.7	26.0	19.4

( Continued on next page )

<sup>3</sup> The percent of chronically disconnected adults who left to begin receiving SSI was substantially lower – 1.6 percent. This group, by definition, was not receiving SSI at the time they were surveyed. Some may have left to begin receiving SSI but later became ineligible for the benefits.

<sup>4</sup> Colorado does not have a child support pass-through policy, and thus, any child support paid by a non-custodial parent (NCP) goes to CDHS to help recover the costs of the TANF assistance provided to the custodial parent. CDHS would have closed a respondent's case if the child support payment exceeded the TANF grant. In addition, some adults may voluntarily decide to leave TANF when they begin receiving child support because they have this other source of income.

<sup>5</sup> This analysis uses the poverty guidelines for 2008 updated periodically in the Federal Register by the U.S. Department of Health and Human Services under the authority of 42 U.S.C. 9902(2). The poverty calculation excludes non cash benefits such as food stamps.

### Exhibit 3: Characteristics of Colorado TANF Leavers (Cont'd)

	Chronically Disconnected Leavers	Disconnected Leavers	Leavers with Earnings
<b>Family Characteristics</b>			
Average number of household members	3.6	3.6	3.7
Average number of children	2.0	1.9	2.0
Age of youngest child (%)			
0 to 1	41.7	31.8	19.4
2-3	21.7	25.3	32.9
4-5	10.0	13.0	14.7
6+	26.7	29.9	32.9
Sample Size	66	181	285

<sup>a</sup> Respondents were asked to list all racial groups they belonged to. As a result, the sum of all of these groups exceeds 100 percent.

### Exhibit 4: Income Sources <sup>a</sup>

	Chronically Disconnected Leavers		Disconnected Leavers		Leavers with Earnings	
	Households with Income (%)	Monthly Average (\$) <sup>b</sup>	Households with Income (%)	Monthly Average (\$) <sup>b</sup>	Households with Income (%)	Monthly Average (\$) <sup>b</sup>
<b>Household Income</b>						
Earnings	16.9	351	28.9	605	100.0	1,770
TANF <sup>c</sup>	1.5	4	3.3	12	4.2	16
Unemployment benefits	6.3	23	6.1	31	2.8	10
SSI, DI, or other disability income	14.1	98	24.7	217	6.7	48
Child support	29.7	73	29.9	82	25.8	83
Financial assistance from family or friends	29.2	71	21.3	50	11.3	33
Other	4.6	116	4.5	75	2.5	34
Food stamps	68.2	266	70.6	268	48.6	159
Total income (including food stamps)		1,002		1,340		2,153
<b>Households Living Below Poverty (%)</b>						
Estimated Poverty Rate	83.3		75.7		51.1	
Sample Size	66		181		285	

<sup>a</sup> Income figures are self reported for the month prior to survey interview. The period of the survey was August 2008 – December 2008.

<sup>b</sup> Includes zero income for households without the income source.

<sup>c</sup> Disconnected leavers reported not receiving TANF, but other household members may have received TANF.

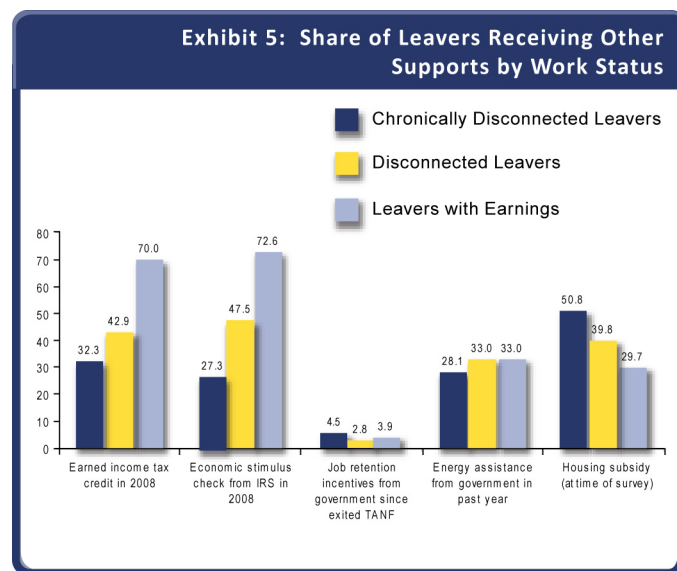
The most common source of income is food stamps, with about two-thirds receiving this benefit. About 30 percent receive child support and 29 percent get financial assistance from family or friends. About 17 percent live with other household members (other than a spouse) who have earnings.

The broader disconnected parents fare a little better, with monthly income averaging \$1,340, although a substantial share—76 percent—live in poverty. A higher share of these households, compared with the chronically disconnected households, have income from earnings (which includes earnings of other household members) and SSI.

Leavers with earnings fare the best among these groups. Earners in these households, which include both the former TANF recipient and other household earners, received \$1,770 from earnings, on average. Earnings comprised the bulk of their average total income of \$2,153. Compared with disconnected families, families with earnings were less dependent on financial assistance from family or friends, with only 11 percent receiving such assistance. While they had higher incomes, over half were living in poverty.

Exhibit 5 shows the percent that received other benefits. Not surprisingly, disconnected adults, and especially the chronically disconnected, were less likely than leavers with earnings to receive benefits associated with working, such as the Earned Income Tax Credit (EITC) and the economic stimulus check.<sup>6</sup> Only 43 percent of disconnected leavers (32 percent of chronically disconnected leavers) compared with 70 percent of leavers with earnings received the EITC. Approximately 48 percent of disconnected families (27 percent of chronically disconnected leavers) received the 2008 stimulus check, which could be as much as \$600 per individual and \$1,200 per married couple. Approximately 73 percent of workers with earnings received the stimulus check. Fewer than 5 percent of all groups received the job retention bonus that some counties offer TANF recipients who leave TANF for work to encourage them to stay employed.

In terms of other means-tested benefits, about one third of the leavers with earnings and disconnected leavers (28 percent of the chronically disconnected) received energy assistance from the government through programs such as the Colorado Low Income Energy Assistance Program (LEAP). The chronically disconnected families were much more likely to receive housing assistance either through public housing or housing vouchers to be used in the private housing market (51 percent compared with 40 percent of the larger disconnected leavers group and 30 percent of the leavers with earnings).



## What is their employment history since leaving TANF?

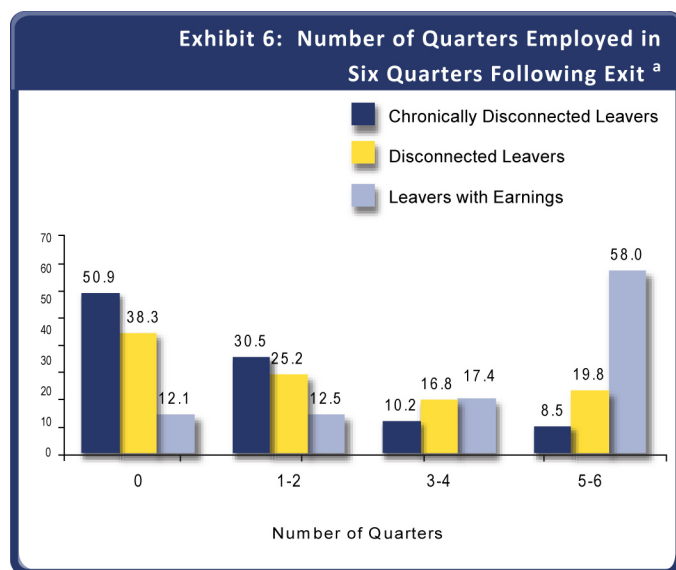
The chronically disconnected leavers worked fewer quarters after they left TANF than the other groups of leavers. As Exhibit 6 shows, about half of these leavers did not work in UI covered jobs at all within the six quarters after exiting TANF.<sup>7</sup> Still, almost 9 percent had earnings reported in UI wage records in the six quarters following their exit.<sup>8</sup>

<sup>6</sup> The 2008 stimulus check required the individual or couple to have at least \$3,000 in qualified annual income, which included earnings, Social Security benefits (but not SSI), certain Railroad Retirement benefits, and Veterans' benefits.

<sup>7</sup> Data for this analysis come from Colorado UI wage records for the sample that completed the survey. Differences exist between employment reported in the survey and found in UI wage records. Respondents may not report or remember some employment, especially when the earnings they received was quite low. The UI wage records do not capture work in a small number of sectors and more informal employment that is not reported to the state, but might be reported in the survey.

<sup>8</sup> As this group was defined as not having employment within the past 12 months, many who were employed for the six quarters most likely did not recall their employment. Indeed, average wage amounts earned during this quarter were substantially lower than the other groups.

In the quarters worked, the chronically disconnected adults earned significantly less than the leavers who had earnings at the time of the survey. The median quarterly earnings were approximately \$1,200 for the chronically disconnected, \$1,700 for the disconnected, and just over \$2,100 for the leavers with earnings. It is not known whether the differences are driven by differences in the number of hours worked or hourly wages or a combination of these two factors.



<sup>a</sup> Includes all quarters with at least \$100 earned in the quarter.

The survey asked respondents for the primary reason they were not currently employed. As Exhibit 7 shows, over a quarter of all disconnected adults were not working because they were in poor health.<sup>9</sup> Another quarter could not find a job, while 15 percent were not working because they could not find or afford to pay for child care. Other reasons provided included wanting to attend school or training (9 percent), pregnancy or a new baby (8 percent), wanting to stay home with children (7 percent), or caring for an ill or disabled family member, transportation problems, or a criminal background that interfered with finding employment (all under 3 percent).

Among the disconnected who previously worked, the survey also captured information on the characteristics of the previous job. The most common jobs were retail or sales, followed by food service, the medical field, and clerical or call center work. All jobs listed were relatively low-skill jobs that do not generally require college degrees.

Over half quit their previous job, while 16 percent were in a seasonal job that ended and 15 percent were laid off or the job ended. About 11 percent were fired.

## Exhibit 7: Employment History

Employment outcomes	Percent
Reason not currently working (%)	
Poor health	26.5
Cannot find job	23.2
Cannot find child care	14.9
In school or training program	8.8
Pregnant or recently had baby	8.3
Wants to stay home with children	7.2
Caring for ill or disabled family member	2.8
Transportation issues	2.2
Criminal background	2.2
Other	3.9
Sample Size	181
For those previously employed:	
Field of previous job (%)	
Retail or sales	31.6
Food service	16.3
Medical field	10.2
Clerical or call center	10.2
Housekeeping or Maintenance	9.2
Manufacturing	8.2
Truck or bus driver or delivery	5.1
Child care	3.1
Other	6.1
Reason left previous job (%)	
Quit	55.1
Job was seasonal	16.3
Laid off or job ended	15.3
Fired	11.2
On medical or maternity leave	2.0
Sample Size	99

<sup>9</sup> A comparison cannot be made to the chronically disconnected adults due to the small sample reporting having previous employment.



## How are disconnected families faring, overall?

The main question many people want to know is how disconnected families are doing, overall. What is their state of well-being? Exhibit 8 lists several indicators of well being. Access to health care is one indicator and among all examined groups, about one-third had no

health care insurance. Disconnected leavers with insurance were more likely to get their coverage from public health insurance (i.e., Medicaid or Medicare), while almost half of TANF leavers with earnings obtained their coverage from public health insurance and a sizeable minority (21 percent) were covered by private health insurance.

**Exhibit 8: Well Being**

	Chronically Disconnected Leavers	Disconnected Leavers	Leavers with Earnings
Health insurance coverage of respondent in prior month (%)			
Public health insurance (e.g., Medicaid)	65.2	63.5	46.3
Private health insurance	1.5	3.3	21.4
Other	0.0	0.6	0.7
No coverage	34.8	33.7	34.9
Health insurance coverage of any children in prior month (%)			
Public health insurance (e.g., Medicaid, SCHP)	76.7	80.5	72.7
Private health insurance	8.5	11.8	20.0
Other	0.0	0.0	0.4
No coverage of all children	18.3	16.2	10.2
Hardships in housing (sometimes or often) (%)			
Gotten behind rent or other housing payments	29.2	36.1	33.7
Had to move because could not pay for housing	9.1	9.9	6.7
Behind on utility bill	50.0	46.7	49.5
Went without electricity or heat in home	7.6	4.4	2.5
Went to homeless shelter in past 12 months	7.6	3.3	1.1
Food insecurity (%)			
Food secure	47.0	46.4	53.0
Food insecure	53.0	53.6	47.0
No hunger present	15.2	21.5	22.1
Hunger present	37.9	32.0	24.9
Poor mental health (%)			
	38.5	40.0	31.6
In last month have experienced the following (%):			
Nervous all or most of the time	36.4	30.9	26.7
Calm and peaceful none of the time	15.2	12.7	11.9
Downhearted and blue all or most of the time	22.7	24.3	17.2
A happy person none of the time	3.0	2.8	3.9
Down in the dumps and could not be cheered up all or most of the time	12.3	10.0	6.7
Compared to period when on TANF, overall assessment (%):			
Somewhat or much better off	39.4	36.5	60.6
About the same	22.7	24.3	23.2
Somewhat or much worse off	37.9	39.2	16.2
Sample Size	66	181	285

Most children in all families had health insurance coverage, although it was more common among children of TANF leavers with earnings. About 18 percent of the children in chronically disconnected families and 16 percent of the children in disconnected families had no coverage, compared with 10 percent of the children of leavers with earnings. Public health insurance provided coverage to most children of all three groups.

Another measure of well being is the ability of a family to meet their housing needs. The groups did not differ substantially in terms of housing-related hardships. Approximately one in ten disconnected families had to move because they could not pay for their housing, while about half fell behind in paying their utility bill. The chronically disconnected adults were slightly more likely to have gone without electricity or heat in the home or have gone to a homeless shelter in the past 12 months.

The disconnected respondents experienced more food insecurity than leavers with earnings, although it is of interest that a sizable portion of the leavers with earnings (close to half) are also food insecure.<sup>10</sup> Over one-third of chronically disconnected respondents experienced hunger compared with about one-quarter of leavers with earnings.

About four in ten disconnected leavers were rated as being in poor mental health, compared with three in ten leavers with earnings. This measure is based on five questions addressing anxiety, depression, loss of behavioral or emotional control, and psychological well-being (Ehrle and Moore, 1999).

Overall, a higher share of disconnected leavers than leavers with earnings (40 percent compared with 16 percent) said they were somewhat or much worse off currently than they were when they were receiving TANF.

## CONCLUSION

Some see the states' TANF caseload decline over the past ten years as evidence of welfare reform working. Many are leaving welfare for employment and

are better off than they were while on TANF. However, policymakers are recognizing that a significant share of families are leaving welfare but are not faring well economically.

The disconnected leavers in Colorado, who make up over one-third of all leavers, face significant challenges ahead of them after they leave TANF. One-third of the leavers do not possess a high school degree or GED. Over one-quarter report they are not working because of poor health and another quarter are unable to find employment even though they want to work. Their overall household incomes are quite low and the vast majority of disconnected leavers are living in poverty. Many report significant hardships – about 40 percent scored low on a standard mental health scale and over half are characterized as being food insecure.

Counties are beginning to address how best to use their county block grants to serve a broader group of families, including those who are not receiving TANF.

Funding could be used to encourage some of these families to return to TANF, while others might be referred to community-based organizations that can provide the intensive support they need. These families are the most vulnerable during tough economic times and it will be important for counties to develop strategies to assist them.

## REFERENCES

- Blank, Rebecca, and Brian Kovak. 2008. "Helping Disconnected Single Mothers." Center on Children and Families Brief #38. Washington, DC: Brookings Institution.
- Ehrle, Jennifer, and Kristin Anderson Moore. 1999. "1997 NSAF Benchmarking Measures of Child and Family Well-Being." Assessing the New Federalism NSAF Methodology Report No. 6. Washington, DC: The Urban Institute.
- Turner, Lesley J., Sheldon Danziger, and Kristin Seefeldt. 2006. "Failing the Transition from Welfare to Work: Women Chronically Disconnected from Employment and Cash Welfare," *Social Science Quarterly* 87 (2): 227 – 49.

<sup>10</sup> To measure food security among the survey respondents, the short version of the USDA's food security index was incorporated into the survey questionnaire. The short version consists of six questions about food eaten in the household in the last 12 months and whether respondents were able to afford the food needed.